

Presentation
Q4 2017

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 31.12.17 (HSB Group)



Hanne J. Nordgaard
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main Features

Helgeland

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices

Main features per 31.12.17

Gross profit	MNOK 348 (452)
ROE	8.6 (13.0) %
Total assets	31.9 (29.4) bn
Solidity	CET1 15.8 (16.1) %

Main features 31.12.17

Retail market



- 12 month growth RM
- Credit growth 5.5%
- Deposit growth 3.9 %

Corporate market



- 12 month growth CM
- Credit growth 11.7%
- Deposit growth 6.3 %

Financial targets

ROE:
10 %

CET1:
15.0 %

Cost growth:
 $\leq 1 \%$

Dividend ratio:
50 %

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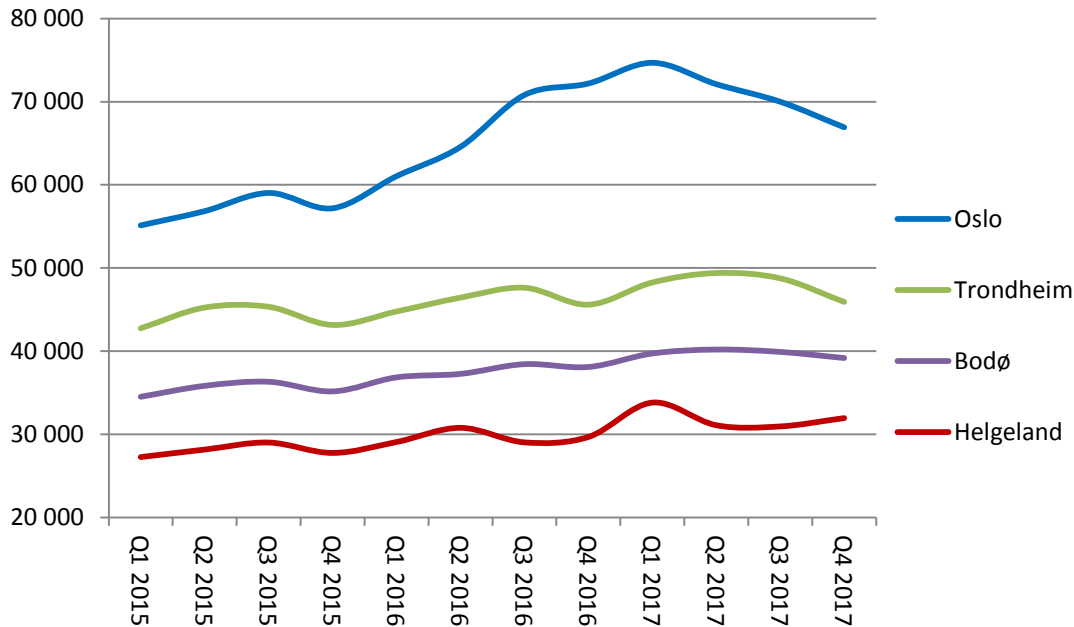
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Macro

Macro	Helgeland	Nordland	Norge
Price growth villas Q4	0.2 %	-2.8 %	-1.1 %
Price growth apartments Q4	3.2 %	-2.0 %	-2.3 %
Unemployment	1.6 %	1.9 %	2.4 %
12 month population growth 31.12.17 (Helgeland Q3)	0.2 %	0.3 %	0.7 %

Stabile property price development

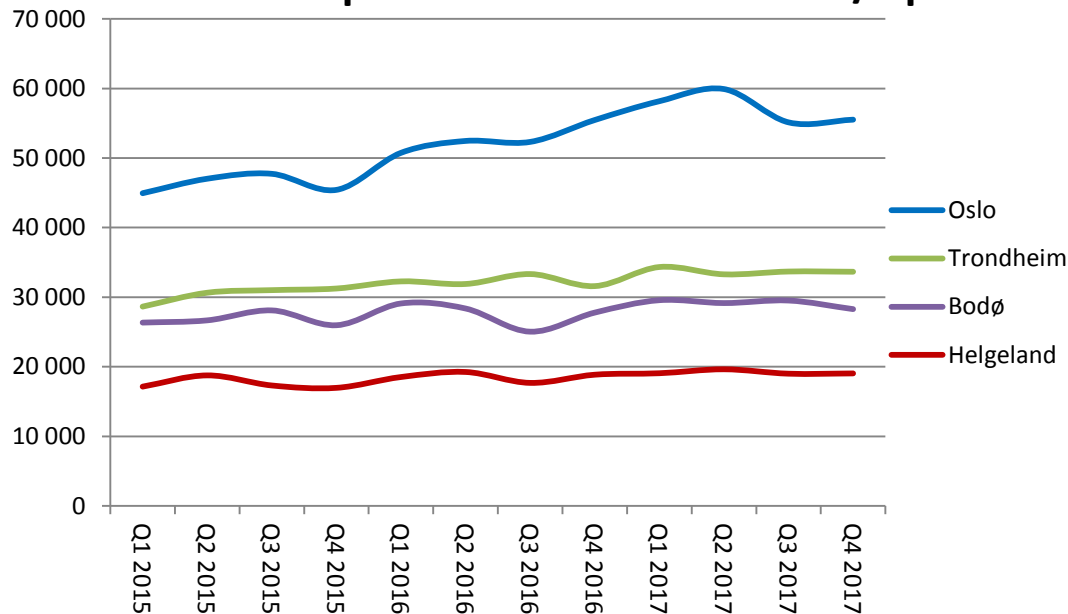
Price development - sold apartments in NOK/sqm



Price increase in Helgeland was 3.2 % and -4.4 % in Oslo 4th quarter.

Stabile property price development

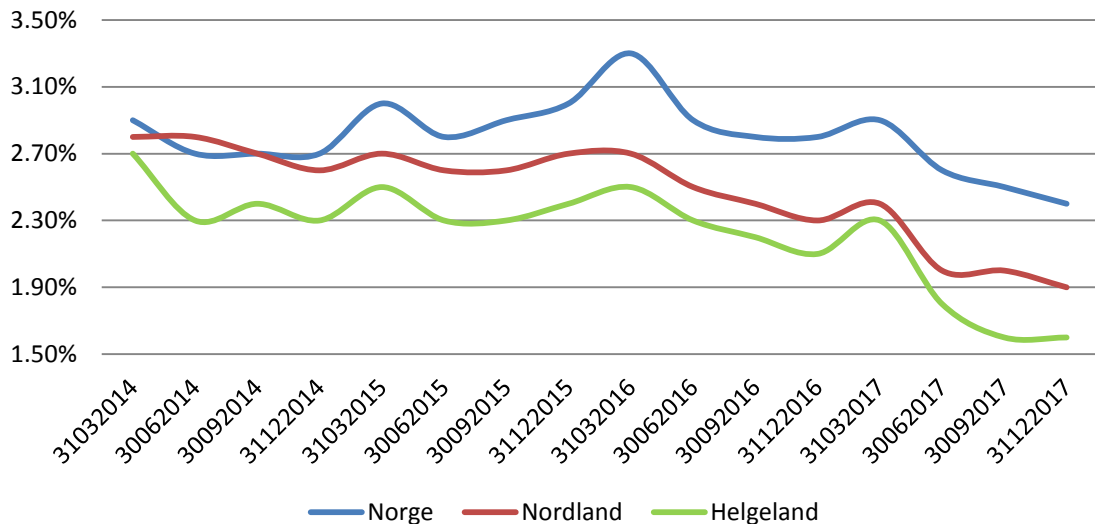
Price development - sold villas in NOK/sqm



Price increase in Helgeland was 0.2 % and 0.7 % in Oslo 4th quarter

Unemployment

Unemployment in %, Norge, Nordland og Helgeland



Unemployment in Helgeland and in Nordland is slightly lower than Norway overall.

Helgeland

Aquaculture



- High export value and Helgeland is the engine in northern Norway
- Great investment will
- Good results from production with large smolt

Power



- Helgeland Kraft 15 power plants in the region
- 3 of Statkraft's 5 largest magazines lies on Helgeland (7TWh)
- Total power production in Helgeland represent about 10 % of the production in Norway
- Potential for local use

Helgeland

Contraction



- Large contraction activity on the E6 through the whole region
- Brønnøysundregistret – new building
- Airport
- Total planned investments in Helgeland the next 7 years, 70-80 bn NOK

Tourism



- Increased tourism – Past Lofoten in number of hotel stays
- Better infrastructure and more activities
- Larger national attention (TV-productions)
- Focus on winter tourism

Helgeland

Industry



- Norway's second largest industrial cluster
- High quality, high efficiency
- Focus on circular economy
- Great export value

Retail market



- Decrease in number of employees
- Increased number of emigrants in the age 30-45
- Relatively larger number of elders in the population than the national average

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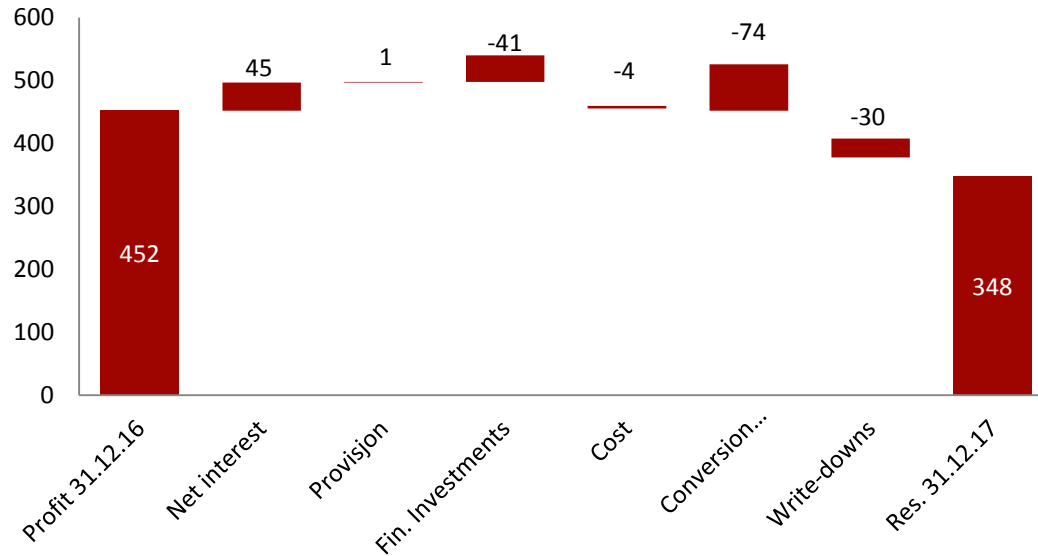
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Result

Change gross profit so far this year



Good result

Gross profit MNOK 348

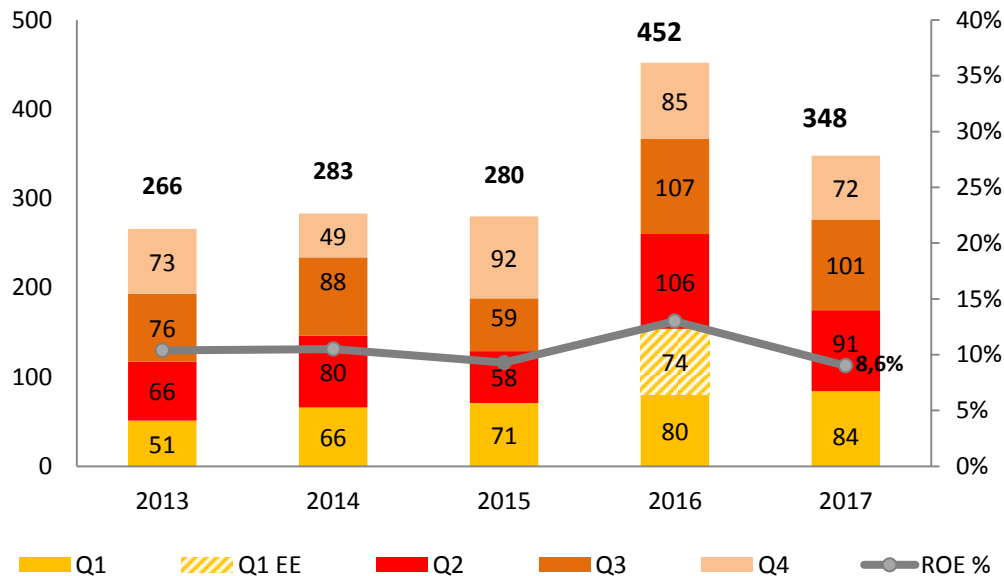
- ROE of 8.6 %
- Adjusted for one-time effect pension (MNOK 74) and gains from Visa (MNOK 14.5) gross profit per 31.12.16 was MNOK 364

Decrease in financial investments is mainly because of:

- Lower income from Helgeland Invest by MNOK 20
- In 2016, the bank recognized MNOK 14.5 in gains from Visa

Profit

Profit development (MNOK)



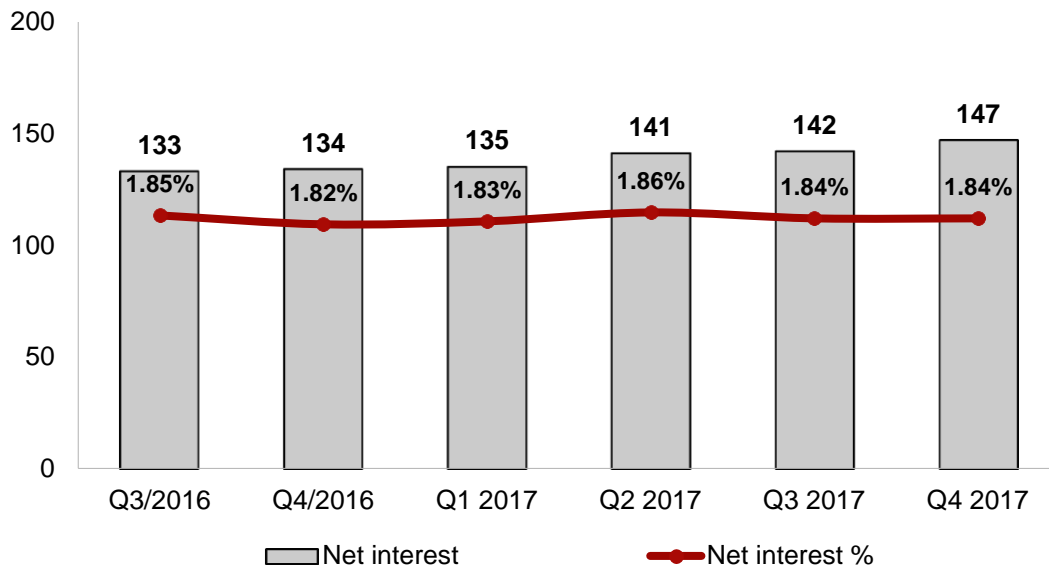
Good result Q4

Gross profit MNOK 348

- ROE after tax 8.6 %
- One time effect pension MNOK 74 in Q1 2016

Net interest

Development net intr.(mnok.) and % of average BTA

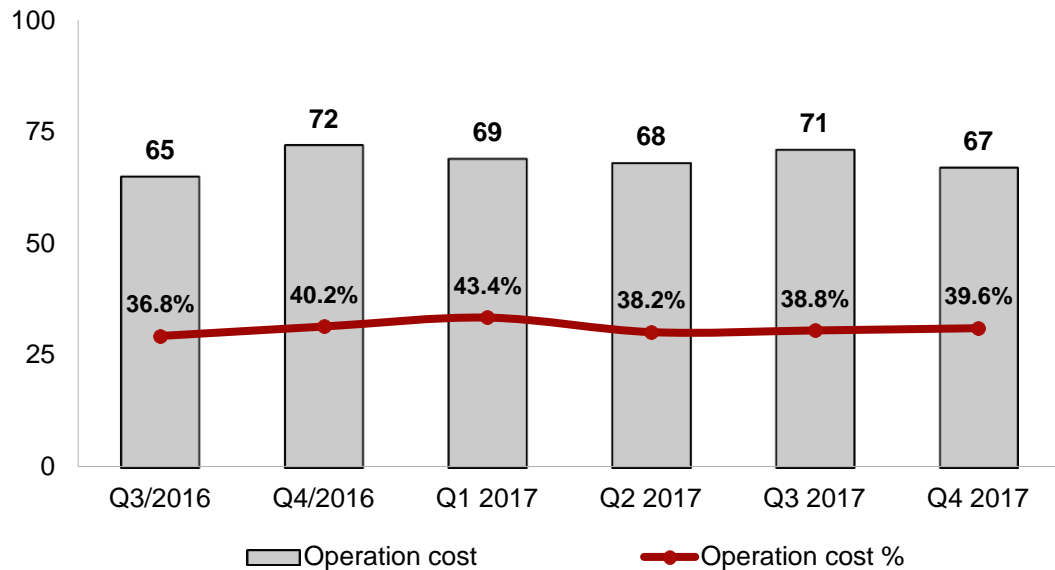


Maintained net interest over time

- Still strong competition regarding price
- Lower lending costs with falling Nibor and lower credit spreads

Operating costs

Operating cost (mnok) and % of income



Costs in % of income

- Closing offices Q2 and Q3 2017
- One time effect pension Q3 2017 last CEO
- New finance tax 2017

(one-time effect pension is not included in the figure)

- Costs in % of income so far this year was 39.9 %

Helgeland Sparebank- product companies



7.9 %

Frende is owned by 15 individual saving banks. Frende Insurance consist of the companies Frende Life insurance and Frende damage insurance.



7.5 %

The company is owned by Helgeland Sparebank, thirteen other individual saving banks and Must invest AS. The company has established three business areas : e-commerce, brokerage and corporate finance.



10 %

Brage Finans has nine other individual saving banks on the owner side. The company offers leasing, object – and consumption finance.



6.7 %

Helgeland sparebank has together with 15 other saving banks established Balder Betaling AS. Balder represents the owner banks interests in Vipps



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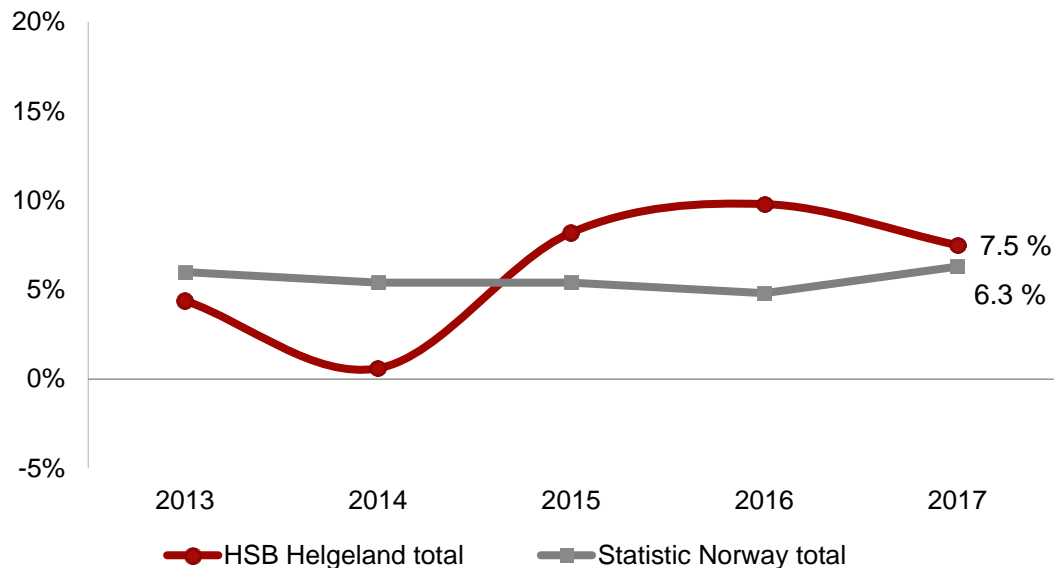
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Credit growth

12-month credit growth



Credit growth

- 12-month growth 7.5 (9.8)%

Locally in Helgeland

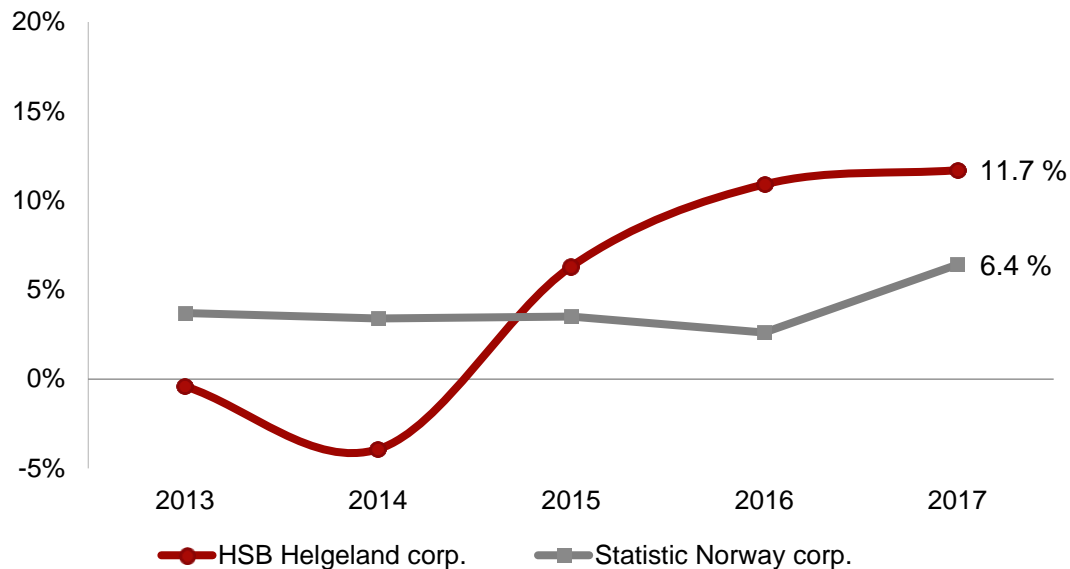
- Per Q4 83.8 (84.0)%

PM share

- Target minimum 60%
- Per Q4 66.4 (67.6)%

Credit growth CM

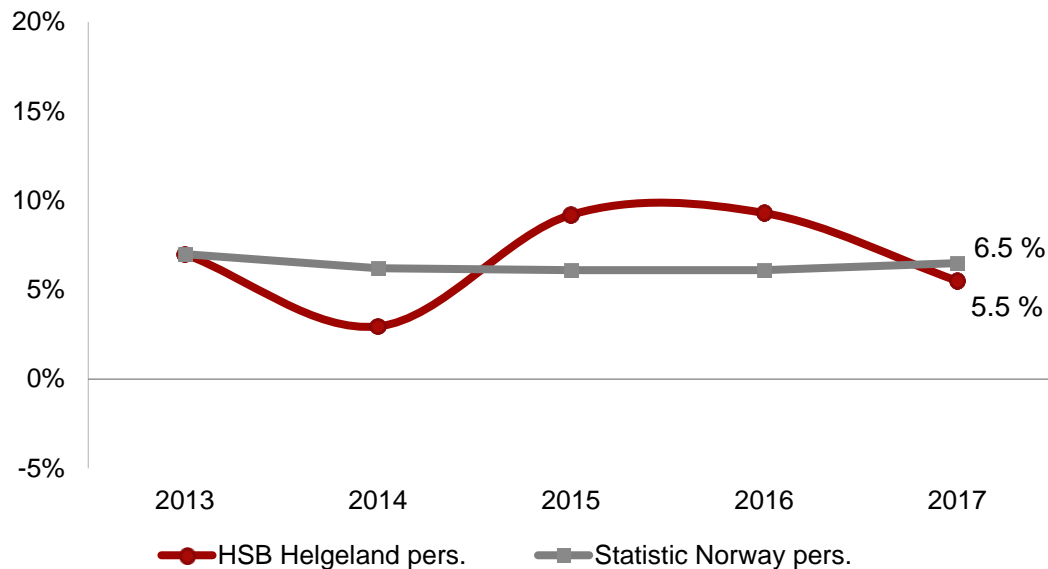
12-month credit growth corporate market



12 month growth CM 11.7 (10.9)
%

Credit growth RM

12-month credit growth retail market

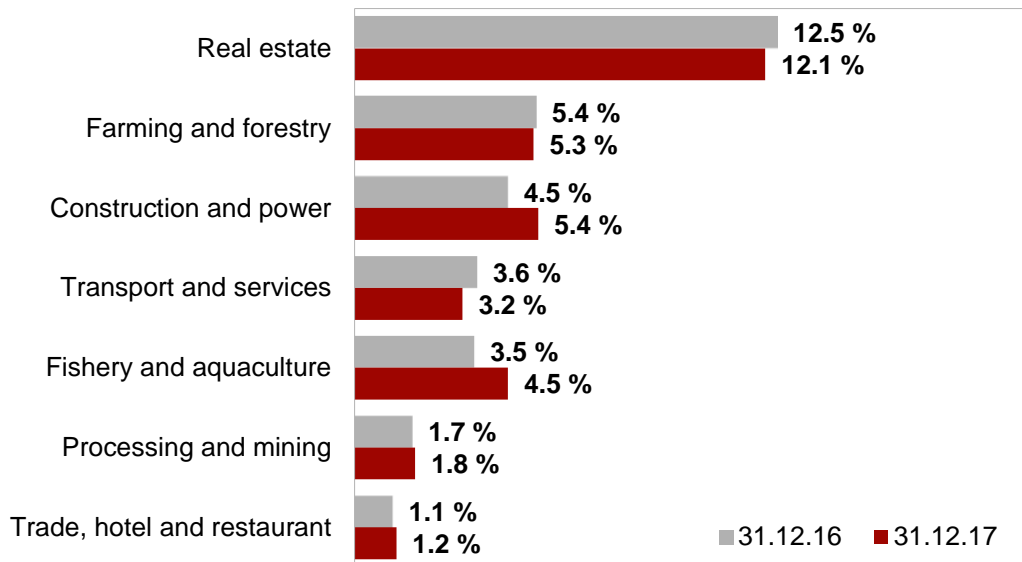


12 month growth RM 5.5 (9.3) %

- The bank's market shares are stable

Lending CM

Lending distributed in sector

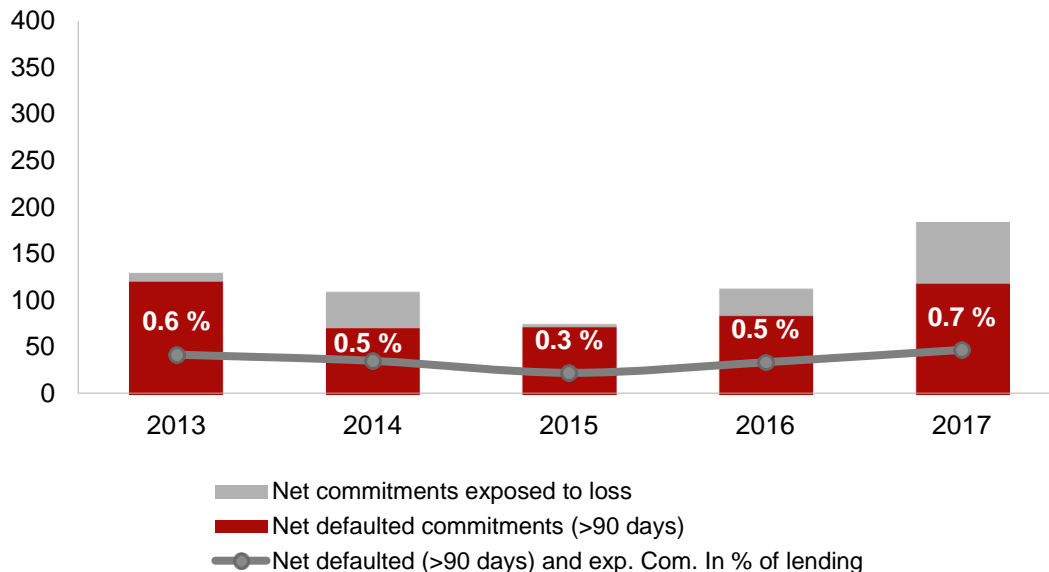


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.6 (32.4)% or MNOK 8 951 (8 013)


Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 183 (113), 0.7 (0.5)% of gross loans

Effect of IFRS 9 increases write-downs on lending in the balance 01.01.18 by MNOK 4. MNOK 3 charged to equity

A scenic winter landscape featuring snow-covered hills and a body of water at sunset. The sky is a warm orange and yellow, reflecting on the water. The foreground shows large, snow-covered rocks and a small stream of water.

Main features

Helgeland

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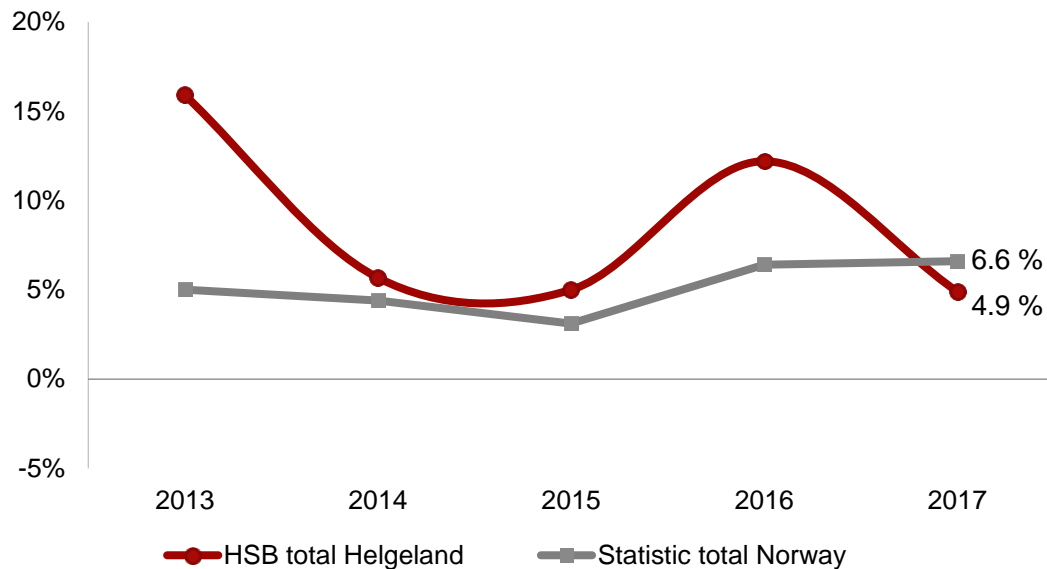
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Deposit growth

12-month deposit growth



Commentary

12-month growth 4.9 (12.2)%

RM share

- Per Q4 55.7 (56.3)%

Locally in Helgeland

- Per Q4 90.2 (91.0)%

Deposit ratio

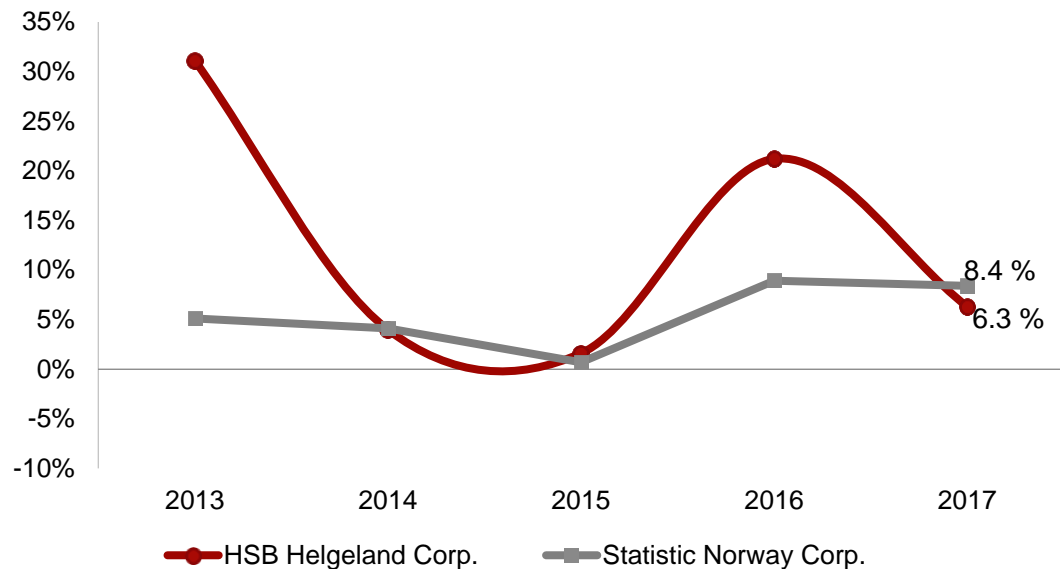
- Target minimum 60%

- Per Q4 63.8 (65.4)%

Deposit growth CM

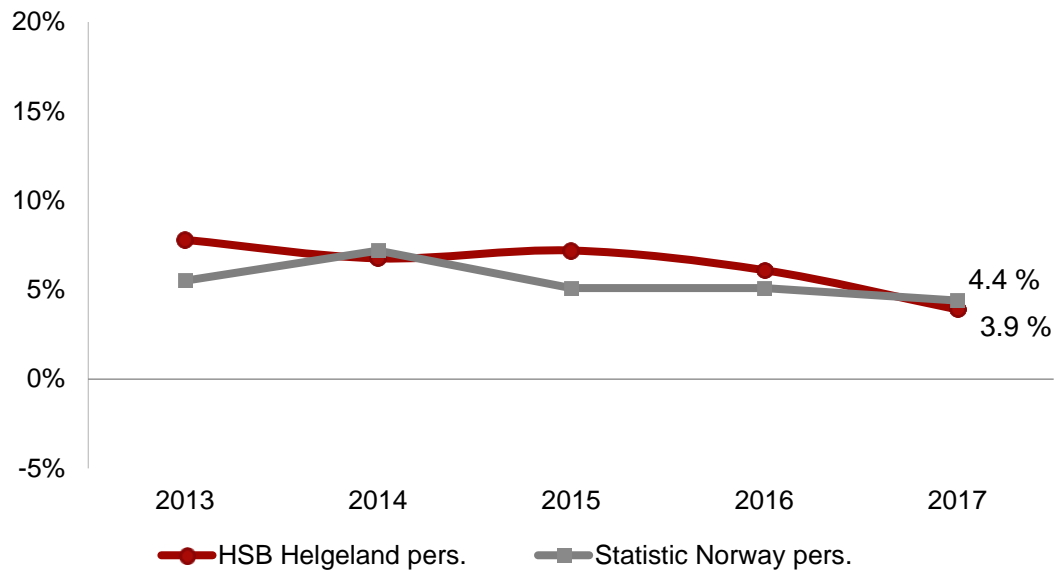
12-month deposit growth corporate market

12-month growth CM 6.3 (21.2)%



Deposit growth RM

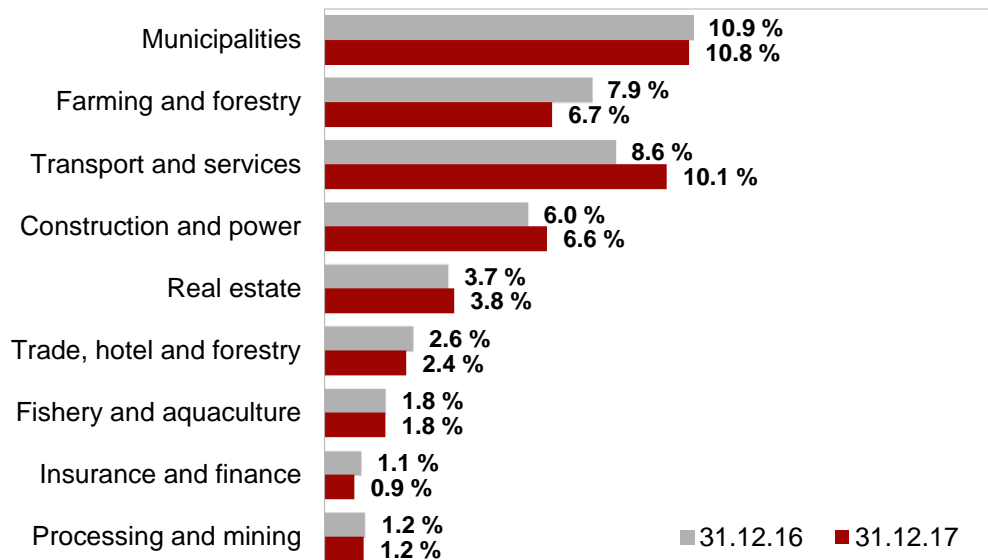
12-month deposit growth retail market



12-month growth RM 3.9 (6.1)%

Deposits CM

Customer deposits

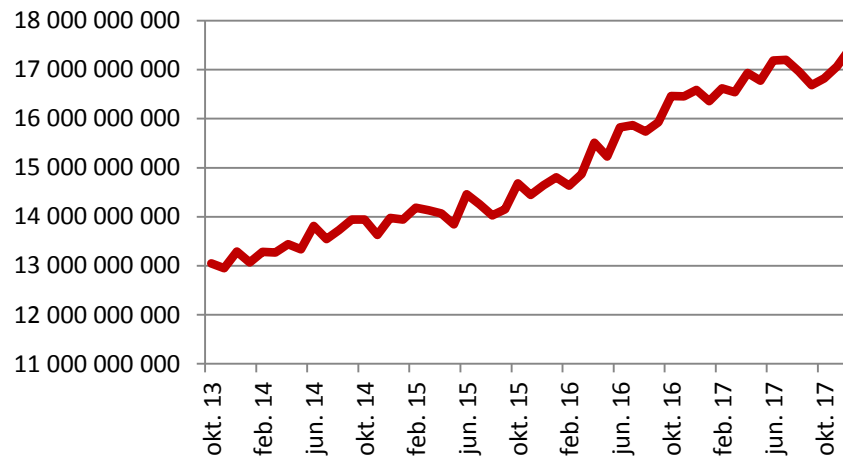
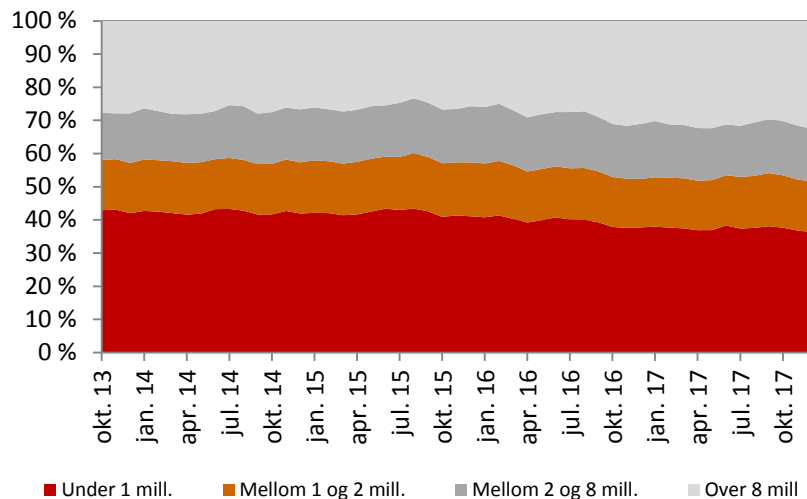


Well diversified deposit portfolio in the CM

Share CM 44.3 (43.7)% or MNOK 7 516 (7 069) of total deposits

Deposits from municipalities constitute 24% of the CM deposits

Deposit development



A large share of deposits are under MNOK 2 (52 % of total deposits). The level is marginally lower than last quarter end, and on level with des 2016. Increase in large deposits in Q4. 59 % of the deposits are covered by the guarantee scheme



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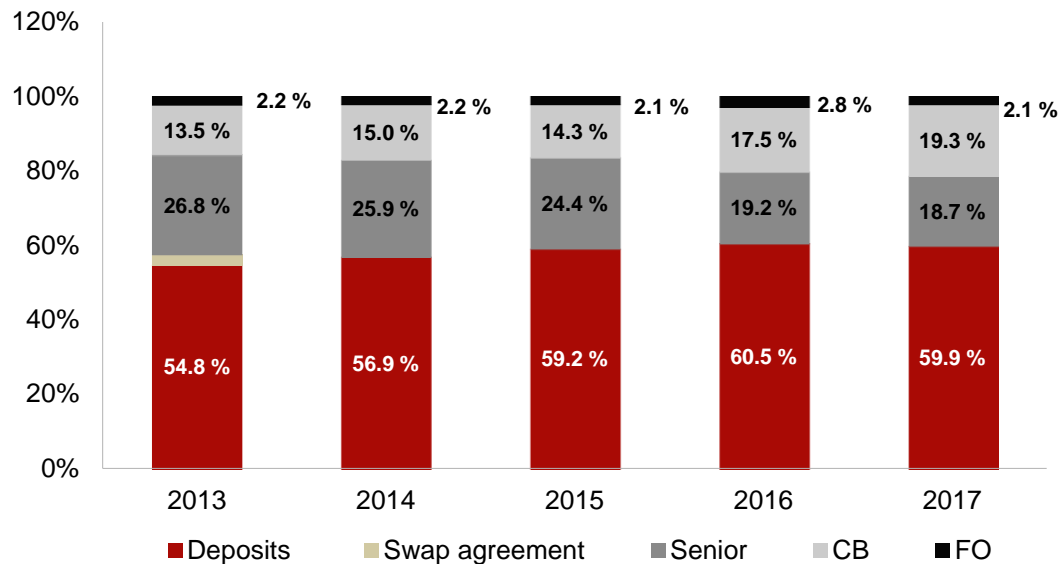
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Funding

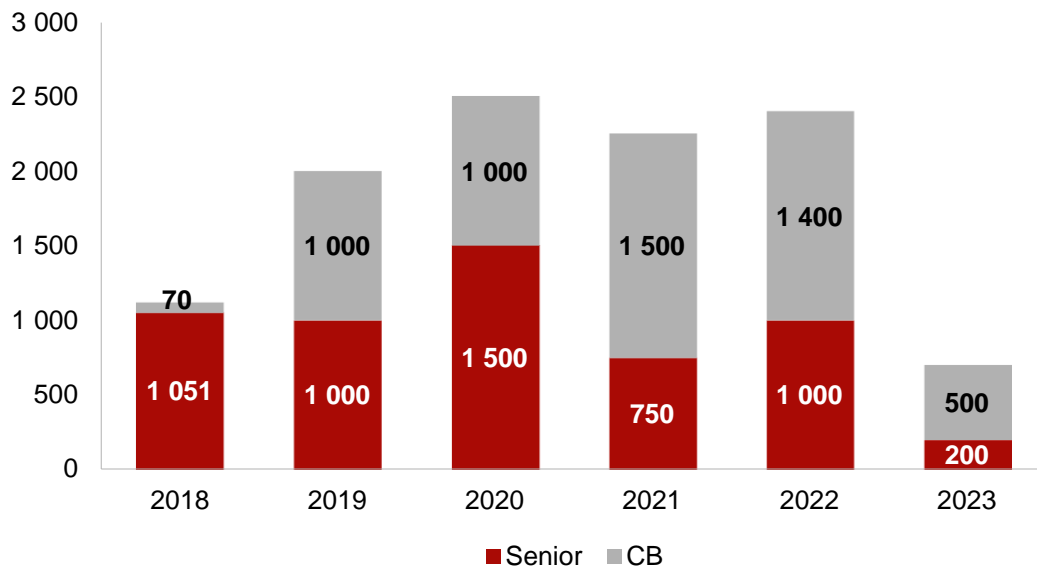
Funding development (MNOK)

Deposits are the most important source for funding.



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
87.8% (88.2)%

Combined duration of 2.9
(2.8) years. Duration in the
mortgage company 3.2 years

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank


- Net profit MNOK 48.9 (33.1).
- CET1 ratio of 19.9 (17.1)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 6 634 (5 629) and CB MNOK 5 476 (4 523)

Good security in the lending portfolio

- Cover pool ratio of fullness 28 (30)%
- Combined LTV 52 (53)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 28 (30) % to 15 (18) %

Maximum limit for transferring is 30% of the Group's gross lending, transferred loans 25 (23)%



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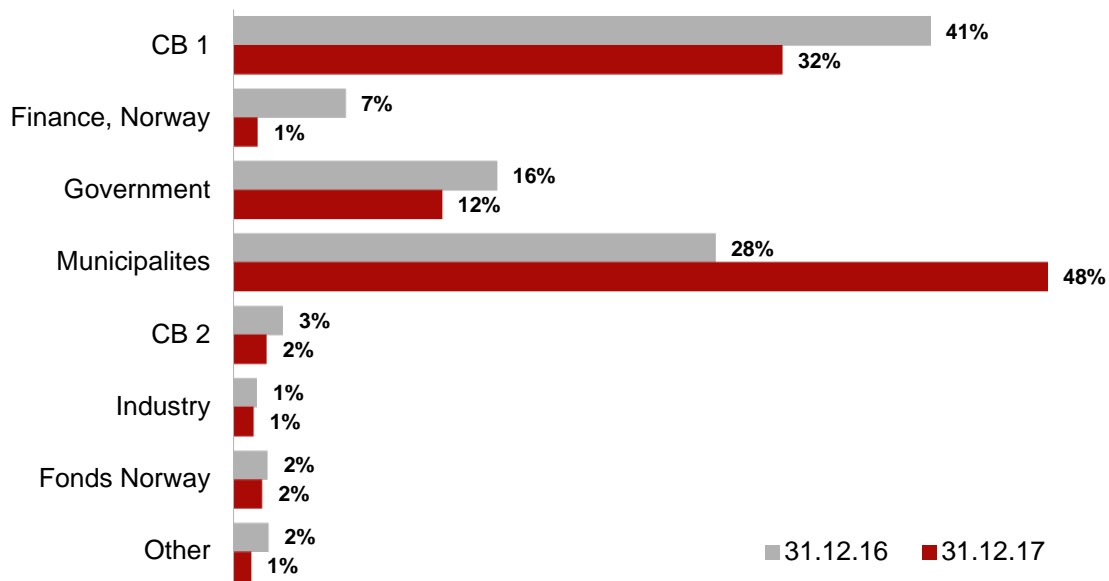
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En drivkraft for vekst på Helgeland



Liquidity buffer

Sector distribution interest portfolio



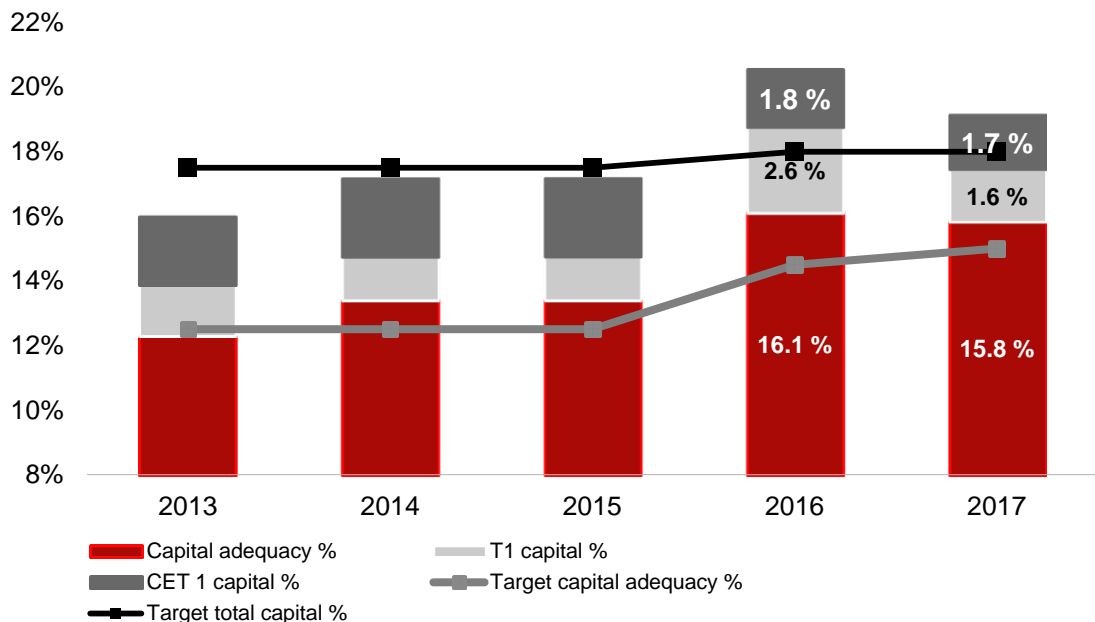
Interest bearing securities:

- Duration portfolio 2.0 (2.0) years
- 97 % rated A- or better
- 95 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy

Development capital adequacy



Capital ratio

- CET1 15.8 (16.1)%
- Core capital 17.4 (18.7)%
- Total capital 19.1 (20.5)%

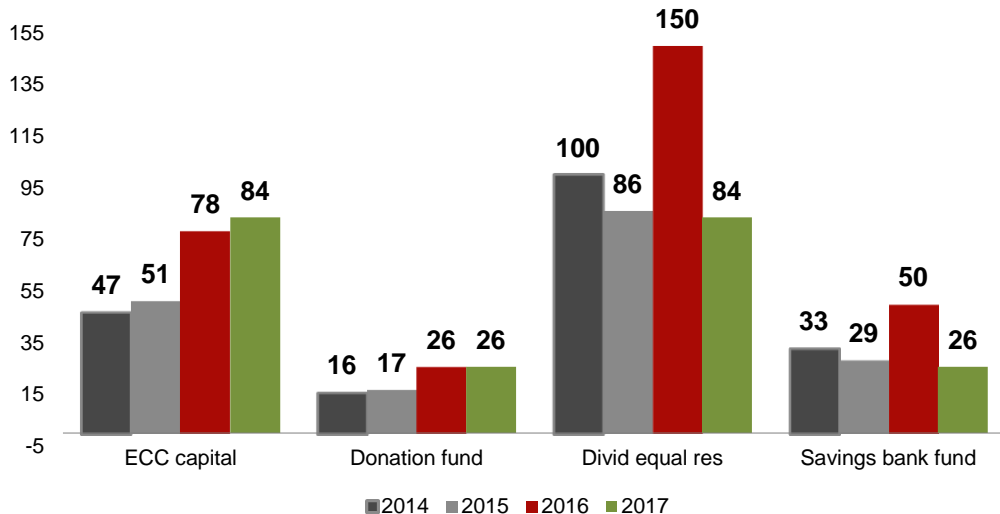
The Group's capital targets included Pillar 2 addition of 2.2% amounts to 14.2% per 31.12.17

New target CET1 15.0%

Leverage ratio: 9.4 (10.1) %.

Proposed disposal of profit 2017

Allocation of profit 2017



Dividends and allocations to the equalization reserve reflects the equity certificate holders' share of the banks equity

- 01.01.17 equation 76.5%

Commentary

Increased distribution ratio

- 50.0 (41.9)%.

Dividend basis is MNOK 218

- The parent bank's result is adjusted for unrealized gains and interests perpetual bonds

The board proposes dividend for 2017:

- Cash dividend NOK 4.0 (3.75) per equity certificate

One time effect pension added to the capital in 2016

HELG – the 20 largest owners

Per 31.12.17			<i>Parent bank</i>		
	Numbers	% share	Numbers	% share	
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina invest AS	256 046	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea	244 270	1.2 %
Merrill Lynch Prof.	1 253 462	6.0 %	VPF Nordea kapital	238 245	1.1 %
Pope Asset Management BNY	639 441	3.1 %	Apollo asset Limited	181 749	0.9 %
VPF Eika egenkapital	494 578	2.4 %	Melum Mølle AS	170 000	0.8 %
MP Pensjon PK	462 203	2.2 %	Melesio Capital AS	137 188	0.7 %
Lamholmen AS	442 353	2.1 %	Nervik Steffen	110 506	0.5 %
Helgeland Kraft AS	377 691	1.8 %	Forte Trønder	109 500	0.5 %
Landkreditt utbytte	300 000	1.4 %	Verdipapirfondet	105227	0.5 %
Total 10 biggest owners	14 582 127	69.9 %	Total 20 biggest owners	16 429 511	78.7 %

The bank has issued a total of 20 871 427 primary certificates value of NOK 10,-.

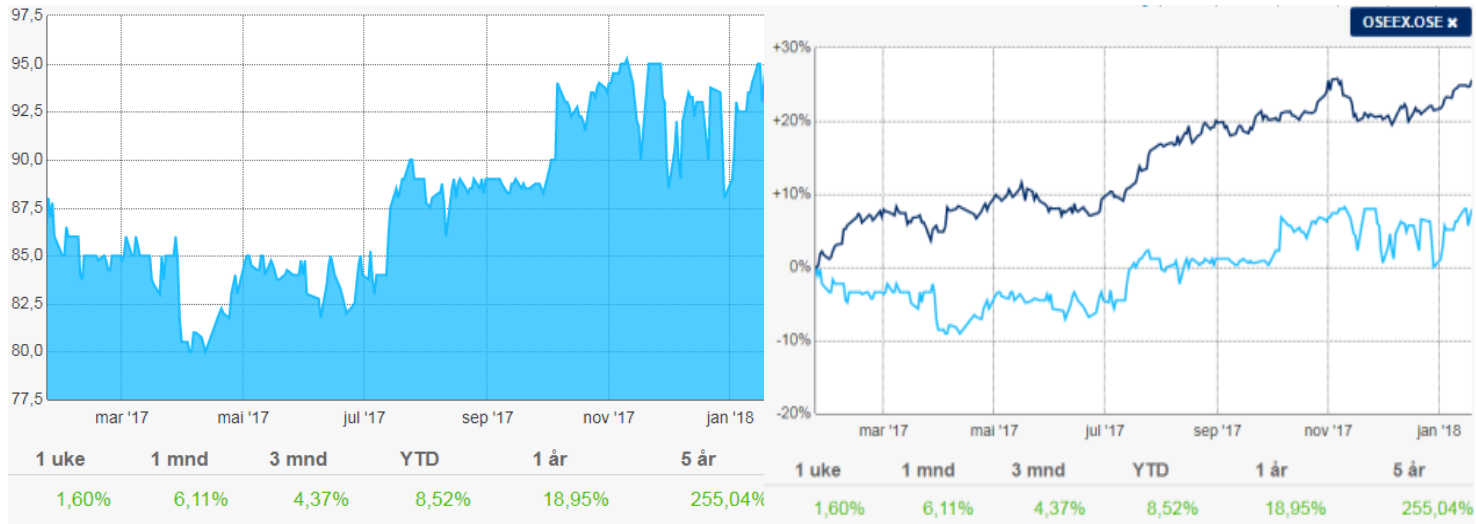
HELG – the 20 largest local owners

Per 31.12.17	Numbers	%	Number	%	
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Torghatten ASA	16 824	0.08 %
Helgeland Kraft AS	377 691	1.8 %	Harald Svendsen	13 710	0.07 %
Vigner Olaisen AS	294 653	1.4 %	Dan Erik Kjellnø	13 000	0.06 %
Steffen Nervik	110 506	0.5 %	Sniptind Holding AS	13 000	0.06 %
Lars Aage Andersson	37 000	0.2 %	John Arne Warholm	12 640	0.06 %
Reinfjell Holding AS	34 108	0.2 %	Sally Helene Øyjord	12 000	0.06 %
RWH AS	31 447	0.2 %	Helgelands Blad	10 914	0.05 %
Coop Helgeland	23 421	0.1 %	Øijord & Aanes AS	10 288	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.1 %	Per Gunnar Hjorthen	9 505	0.05 %
Bakeriet Mo i Rana AS	19 998	0.1 %	Ove Arild Alfheim	9 477	0.05 %
Total 10 largest owners	8 206 808	39,3 %	Total 20 largest owners	8 328 166	39.90 %

43% of the EC's are owned by local owners.

96% of the employees are EC owners. Program for annual increase of the owner share started in 2017

HELG – EC development and liquidity



	2015	2016	2017
EC fraction	75.1 %	75.1 %	76.5 %
Number of EC's	18.7	20.9	20.9
Stock exchange price	59.0	81.0	88.0
Stock value	1 103.3	1 692.9	1 839.2
Accounted equity per EC	93.7	101	109.5
Profit per EC	8.4	13.5	9.5
Dividend per EC	2.75	3.75	4.00
Price/Accounted EC	0.6	0.8	0.8
Ex dividend 23.03.18			



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Prospects and priorities

Prospects



- Increased profitable growth in the Retail market
- Maintain market position and profitability in the corporate market and be a driving force for growth
- Streamline and automate support functions



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Profit & loss

Helgeland Sparebank (group)

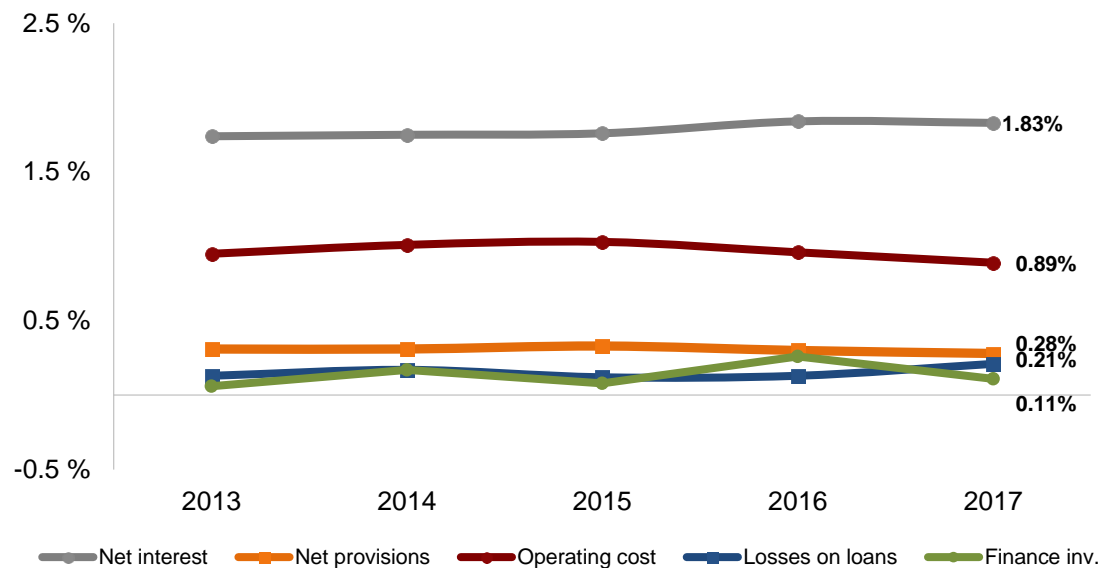
	Q2/2016	Q3/2016	Q4/2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Net interest- and credit provision earnings	128	133	134	135	141	142	147
Net provision earnings	22	22	21	20	22	21	23
Other operatios income	1	1	2	1	1	0	2
Ordinary operations cost	69	65	72	69	68	71	67
Result basic operations	82	91	85	87	96	92	105
Write-downs lending and warranties	6	5	20	6	19	11	30
Income by conversion to defined contribution	1		-2				
Net value change financial instruments	30	20	22	3	14	19	-3
Gross profit	107	106	85	84	91	100	72
Net profit	85	84	69	64	73	81	55
Net extended income posts	-19	5	8	8	-1	6	51
Profit for the period	66	89	77	72	72	87	106

Commentary

- Stable and good basis operation
- Costs
 - New finance tax affected operating costs by MNOK 5.2 per 31.12.17
 - One-time cost in Q3 pension last CEO by MNOK 3.5
 - One-time cost by closure of offices MNOK 2.2 in Q2 and Q3
- Increased write-downs on lending, write-downs on groups increased by MNOK 5 in Q3 and MNOK 5 in Q4
- Extended income statement – value increase; owners share in Frende Holding AS, Brage Finans AS and interest bearing securities

Key figures

Keyfigures in % of average BTA



Stable net interest

- 1.83% per 31.12.17

Net provisions

- Reduced from 0.30% 31.12.16 to 0.28%

Operating costs

- Reduced from 0.96% per 31.12.16 to 0.89%

Balance

Helgeland Sparebank (group)

	31.12.17	31.12.16	Change
liquid assets	551	602	-51
Net lending to customers	26 453	24 632	1 821
Certificates and shares	4 518	3 851	667
Other assets	328	298	30
Assets	31 850	29 383	2 467
Deposits from customers	16 972	16 173	799
Money market financing	10 851	9 258	1 593
Other liabilities	440	444	-4
Subordinated debt	300	300	0
Equity	3 287	3 208	79
Liabilities and equity	31 850	29 383	2 467

Helgeland Sparebank – Subsidiary and associated companies



100 %

Helgeland Boligkreditt has concession as a credit company with permission to issue covered bonds. The company will ensure stable and long-term financing for the Group under competitive conditions.



48 %

Helgeland Invest AS is an investment company localized in Helgeland.

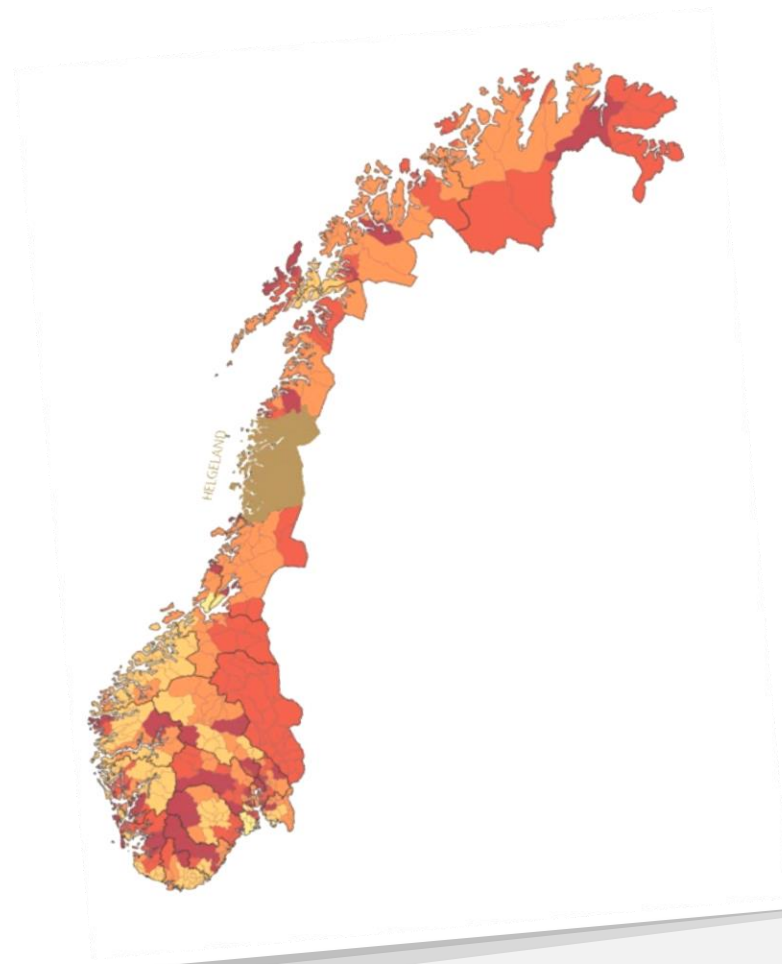


40 %

REDE Eiendomsmegling AS. The company is market leading on Helgeland and is the banks cooperation partner. The company has 25 employees with offices in the banks premises in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.

Helgeland Sparebank

- Vision: a driving force for growth in Helgeland.
- Business concept: to be a profitable and the leading bank in Helgeland. The bank provides financial products and services to consumers, small and medium-sized businesses, municipalities and other institutions related to Helgeland.
- Offices: The Bank has four full service offices. These are located in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund. The bank have also 2 minor offices.
- Helgeland Sparebank is the 11th. largest savings bank in Norway.
- Total assets: MNOK 31 850
- Employes, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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Board of directors

Ove Brattbakk, leder
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Eva Monica Hestvik
Bjørn Audun Risøy
Inga Marie Lund
Nils Terje Furunes
Marianne Terese Steinmo
Birgitte Lorentzen
Geir Pedersen